

# Performance Audit of the Certificate of Need Program

Proposed Scope and Objectives

Joint Legislative Audit and Review Committee

November 30, 2005

Lisa Jeremiah and Cynthia L. Forland

# Study Mandated by 2005 Legislation (ESSHB 1688)

- JLARC to conduct a performance audit of the Certificate of Need program
- Certificate of Need Task Force created to:
  - Study and prepare recommendations on improving and updating Certificate of Need
  - Consider results of JLARC's audit when developing recommendations

# Background on Certificate of Need

- The Legislature created the Certificate of Need program in 1971 as part of broad state health planning effort
- Developed because of concern about how the number and type of health care facilities affect health care costs
- Certificate of Need program has changed over time

# Certificate of Need Required to:

- Establish certain new health care facilities
- Increase capacity for hospitals, hospice care centers, nursing homes, and kidney dialysis centers
- Sale, purchase, or lease of hospitals
- Replacement, bed banking, and capital expenditures over a certain amount for nursing homes
- Develop new specialized health services, such as open heart surgery or organ transplants

# Department of Health's Duties

- Administer the Certificate of Need program
- Charge application fees to cover cost of program
- Specify the types of information required in applications
- Review applications
- Issue or deny Certificates of Need
- Monitor approved projects to ensure compliance with Certificate of Need conditions

# DOH Evaluates Certificate of Need Applications Based on:

- Public need for the project;
- Financial feasibility of the project;
- Project fosters the containment of health care costs; and
- Structure and process of care promotes safe and adequate care

# Study Scope

JLARC will review the Department of Health's administration and implementation of the Certificate of Need program

# Study Objectives

1. How does DOH evaluate Certificate of Need applications?
  - Are decisions consistent with statute?
  - What data and analysis does DOH use?
2. Are decisions consistent with each other?
3. How does DOH measure the performance of the Certificate of Need program?
4. How does DOH monitor Certificate of Need projects?



# Study Timeline

- Preliminary Report to JLARC in May 2006
- Proposed Final Report in June 2006